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S E C R E T SECTION 01 OF 02 BAGHDAD 001775

C O R R E C T E D C O P Y (REFERENCE CORRECTED)

SENSITIVE
SIPDIS

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TAGS: [CA](#) [ECON](#) [ENRG](#) [IZ](#) [KNNP](#) [PARM](#) [PREL](#)
SUBJECT: JUNE 11 MEETING WITH GOI ON TUWAITHA YELLOW CAKE
DELIVERY TO CANADIAN BUYER, CAMECO

REF: SECSTATE 55887

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Classified By: CETI, Ambassador C Ries for reasons 1.4(b),(d), (e).

¶1. (S) SUMMARY: EMIN and Energy Attach met with GOI's Science & Technology Minister Raid Fahmi on June 11 to inform Fahmi that the current estimate is USG will deliver the 550 MT of GOI's natural uranium (Yellow Cake or YC) to Cameco, Inc. in Montreal, Canada on July 3, 2008. Fahmi expressed alarm that post-6/15 deliveries will cause GOI to receive reduced sale proceeds and his inability to fulfill a commitment to PM Maliki that GOI would get a net of \$76 m from the YC sale. (\$76 m net is the result of \$90 m minus GOI's agreed \$14 m "cost-share" to the USG for a portion of the transport costs to remove YC from Iraq to Canada.) EMIN said USG remains interested in getting the \$14 m in cost-share, which USG would be willing to spend in Iraq through the I-CERP Program. Fahmi said he'd report this information to the Council of Ministers and let Post know GOI's reaction. EMIN offered to explain the reasons for USG's reasons for the post-6/15 delivery to the PM's office or anyone else in GOI should Fahmi so wish. END SUMMARY.

¶2. (S) EMIN opened the meeting by informing MOST Minister Fahmi that since they had last met the 550 MT of Yellow Cake had been successfully taken out of Iraq and was now at sea expected to arrive in Montreal on or about July 3.

¶3. (S) Fahmi expressed alarm that the delivery would occur after June 15 which under the Sales Contract was the last date that the Iraqis would be entitled to the full fixed Contract price. Depending on the spot market price movements this could potentially cost the Iraqis a considerable portion of the proceeds from the sale. Why had the USG chosen a shipping schedule that would miss the Contract's final delivery date for the fixed price, Fahmi asked? The Minister noted that USG had not informed him during his Committee's April 6th telephone conference with Cameco (GOI spoke with Cameco at the Embassy that day, with two Embassy representatives present) that there might be a problem in meeting the 6/15 date. Had he known that fact on 4/6, Fahmi said, he wouldn't have agreed to USG consolidating the YC into a single shipment.

¶4. (S) Fahmi related that DOD had stated on the margins during the Paris February 14-15 meetings with GE and Cameco, respectively, it would transport the YC by air. Fahmi added that the Contract Parties agreed to a fixed 6/15 final delivery date during the Paris meeting and that USG

representatives present were so informed. He noted that USG's earlier transport plan to fly would've permitted quicker deliveries and if some of the YC had not been delivered by 6/15 at least the first flights would have met the 6/15 Contract date, permitting GOI to receive those payments at the Contract's higher fixed price. (COMMENT: DOD, responsible for the transport issues, kept its planning details classified for OPSEC reasons, did not have a representative at the 4/6 teleconference, and did not inform the Embassy's attending representatives of concerns meeting a 6/15 delivery date either. USG was not a participant in the Contract negotiations, nor were the various Contract drafts (except for the 2/19 Cameco Bid) shared with the Embassy. END COMMENT.)

15. (S) EMIN replied that there had obviously been a failure of communication, but whatever the cause the Yellow Cake delivery date cannot be advanced.

16. (S) Fahmi expressed concern about the amount of price reduction (and gross revenues) GOI will face resulting from the post-6/15 YC deliveries. He thought it would be substantial and planned to ask his staff to calculate the difference between the estimated spot market price on 7/3 and the Contract's fixed price on a unit basis. Depending on how low the spot market price is GOI may have a problem accepting this loss. He added that GOI's Council of Ministers (COM) and the Prime Minister had approved the sale to Cameco based upon GOI receiving projected net proceeds of \$76 m from the transaction. (\$90 m minus the \$14 m transport cost-share Fahmi had agreed to provide to the USG).

17. (S) EMIN said USG still would like GOI to honor its commitment of a cost-share for the Yellow Cake transport expenses. But to ease the pain EMIN offered that the USG intended to use the money in Iraq for the benefit of the

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Iraqi people through I-CERP. EMIN offered to speak with anyone in the Prime Minister's Office, or otherwise in GOI, to explain how the problem occurred if Fahmi wanted him to. He added that the USG would "take the hit" on this matter in explaining how the transport arrangements had been made. The meeting concluded after 40 minutes and both sides agreed to follow up on this meeting with further discussions.
BUTENIS